



# *CITY COUNCIL*

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## *Committee of the Whole*

**Monday, March 1, 2021**

**5:00 pm**

**Virtual Meeting**

**Council Chambers**

**Agenda**

**Under the current COVID-19 Declaration of Emergency the public is prohibited from attending the Committee of the Whole meeting. This meeting can be viewed LIVE on the City's website while the meeting is taking place or at any time at <https://www.readingpa.gov/content/city-council-video>.**

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**I. Act 47 Exit Plan Salary Caps – G. Mann PFM**

**30 mins**

*See outtakes from the Exit Plan attached*

**a. Purpose**

**b. Amount per workgroup classification**

**II. Housing Authority Project and vacation of a portion of Liggett Ave 15 mins**

**III. Executive Session**

#### Full-Time Budgeted Positions, 2015-2019

Fund	2015	2016 <sup>54</sup>	2017	2018 <sup>55</sup>	2019
General Fund <sup>56</sup>	502	493	491	489	491
Wastewater Fund	44	44	44	44	44
Sewer Fund	19	19	19	19	19
Recycling & Trash Fund	18	17	17	8	8
Self-Insurance Fund	1	1	1	1	1
<b>Total</b>	<b>584</b>	<b>574</b>	<b>572</b>	<b>561</b>	<b>563</b>

The total number of full-time budgeted positions has remained relatively stable since the City made reductions under the original Recovery Plan and transferred employees from its Water Fund to the Reading Area Water Authority (RAWA) in 2011. The City had 495 budgeted full-time positions in the General Fund and 565 across all funds except for Water in 2011. It has 491 positions in the General Fund and 563 positions across all funds in 2019. The City reduced the number of positions in the Recycling and Trash Fund when it contracted out recycling collection in 2017.

Most of the City's workforce is represented by one of four public employee labor unions. The Fraternal Order of Police, Lodge No. 9 (FOP); International Association of Fire Fighters, Local 1803 (IAFF); and the American Federation of State, County and Municipal Employees (AFSCME), Local 2763 have the right to collectively bargain with the City subject to the limitations imposed by Act 47. The City must meet and discuss compensation with a fourth union representing first level supervisors (AFSCME, Local 3799), but is not required to collectively bargain with it. The chart below details the number of budgeted positions in 2019 and the respective bargaining unit's contract term, all of which expire at the end of 2019.

#### City Headcount by Bargaining Unit chart

Employee Group	Covered Positions	2019 Total Employees Budgeted	Contract Term
Fraternal Order of Police (FOP), Lodge 9	All sworn Police Officers with the exception of the Chief and Deputy Chief	167	1/1/2017-12/31/2019
International Association of Fire Fighters (IAFF), Local 1803	All Fire Fighters with the exception of the Fire Chief, First Deputy Chiefs, and the Deputy Chief/EMS	130	1/1/2016-12/31/2019
American Federation of State, County, and Municipal Employees (AFSCME), Local 2763	All full-time professional and nonprofessional employees, excluding confidential employees, seasonal employees, casual employees, supervisors and management level employees	170	1/1/2017-12/31/2019
American Federation of State, County, and Municipal Employees (AFSCME), Local 3799	All full-time first level supervisory employees	22	1/1/2015-12/31/2019
Non-Represented Employees <sup>57</sup>	Management, professional, and elected	74	N/A
<b>Total</b>		<b>563</b>	

<sup>54</sup> The 2016 position count comes from the amended ordinance adopted in early 2016.

<sup>55</sup> The City outsourced recyclable collection work during 2017.

<sup>56</sup> Includes employees in the Shade Tree Fund and employees in Community Development that are funded by US Department of Housing and Urban Development (HUD).

<sup>57</sup> Excludes part-time employees.

## Compensation and Benefits

The following table presents the City's General Fund personnel expenditures for 2013 through 2019. The table does not include pension bond debt service or expenditures for employees compensated outside the General Fund. Most expenditures in the Fringe Benefits category are for employee and retiree medical and prescription drug insurance, though the line also includes expenditures for dental, vision and life insurance. The premium pay category covers longevity and holiday pay.

**Personnel Expenditures in the General Fund**

	2013	2014	2015	2016	2017	CAGR <sup>58</sup> (2013-2017)
	Actuals	Actuals	Actuals	Actuals	Actuals	
Salaries and wages	26,553,101	27,739,023	27,164,187	27,086,151	27,256,695	0.7%
Overtime	2,995,212	2,939,400	2,987,714	3,486,354	3,608,908	4.8%
Premium Pay	1,031,834	1,032,638	963,991	936,433	913,422	-3.0%
Fringe benefits	10,021,828	11,630,373	12,346,468	13,576,390	13,158,328	7.0%
Pension	9,947,536	9,973,075	13,189,129	14,285,523	14,879,246	10.6%
Social Security	909,153	962,747	948,098	939,275	936,851	0.8%
Uniforms/Clothing allowance <sup>59</sup>	259,607	240,112	214,015	255,206	403,079	11.6%
Unemployment	37,837	55,151	75,409	116,761	81,853	21.3%
Penny Fund	4,117	7,104	(77,620)	0	0	-100.0%
<b>Total Expenditures</b>	<b>51,760,225</b>	<b>54,579,623</b>	<b>57,811,391</b>	<b>60,682,093</b>	<b>61,238,382</b>	<b>4.3%</b>

Total spending on employee salaries within the General Fund was flat from 2013 through 2017, rising by just \$0.7 million (or 0.7 percent per year) across all employees. Employees received base wage increases over that period, though they were limited by the terms of the Recovery Plans. Employees who were eligible for tenure-based step increases<sup>60</sup> received them and individual employees received promotion-based raises, so wages for individual employees were not as flat as the overall trend. But turnover-related savings and vacancies kept total growth across all employees below 1.0 percent per year. Overtime expenditures grew more (4.8 percent) but total spending across all major forms of cash compensation was still 1.0 percent.

The City's total compensation costs rose by 4.3 percent per year over this period because of two factors – higher pension contributions and rising health insurance costs, especially for retired employees. Pension costs increased by almost 50 percent from 2013 to 2017 and then grew another \$2.2 million in 2018. The City's fringe benefit costs (active and retired employees) increased by 31.3 percent on a gross level.

Under the provisions of the 2010 Recovery Plan and the 2014 Amended Recovery Plan, the City's budgeted contribution toward the cost of active employee health insurance could increase by no more than five percent per year<sup>61</sup>. But that cap does not apply to many retired employees who left City employment before the Recovery Plan provisions took effect. Those costs will continue to grow, and the City will continue to shoulder most of the increase, absent any corrective action.

<sup>58</sup> Compound annual growth rate.

<sup>59</sup> This includes the City's spending to replace firefighter turnout gear starting in 2017, which is recorded as part of uniform related expenditures.

<sup>60</sup> This is primarily police officers and firefighters in the early part of the career.

<sup>61</sup> Please see initiative WF24 in the 2010 Recovery Plan, pages 66 – 68, and initiative WF03 in the 2014 Plan Amendment, pages 44 – 46.



In addition, the current method is projected to take a significantly long period to converge to the market value of assets. Due to this bias and the extended period of deferral of investment losses, the method does not comply with Actuarial Standards of Practice; however, by the passage of Act 44 of 2009, this method is allowable under Act 205.<sup>64</sup> The recommended change in asset valuation was not adopted by either public safety pension plan.

The Coordinator agrees with the actuary and recommends that the Police and Fire Pension Plans adopt an asset smoothing approach that recognizes investment gains or losses over a four to five-year period and complies with actuarial standards of practice. The Coordinator also recognizes that this would likely result in an increase in the City's pension contributions. Given the potential financial implications of adopting this actuarial assumption, it is advised that the City request a cost estimate from the actuary to determine a phase-in period in which the City can gradually implement the recommendation. This will enable the City to mitigate the risk of underfunding while still maintaining resources adequate to fund other vital City services.

### **Fringe Benefits**

The second aspect of retired employee compensation that receives much less attention, but is also a concern, is the cost of "other post-employment benefits" (OPEB). More specifically, the City provides health care to certain retired employees and their spouses until they are eligible for Medicare<sup>65</sup>. The contributions that retirees make toward the cost of health insurance coverage varies depending on their retirement date. For police who retired before 2007, firefighters who retired before 2002, and non-uniformed employees who retired before 2005, there is no regular retiree monthly premium contribution to the cost of health insurance<sup>66</sup>.

Like pension benefits, retiree health insurance creates an ongoing liability for the City. The City uses an actuary to calculate the size of this OPEB liability relative to the assets that the City has set aside for them (if any). The most recent valuation provided showed that the City's actuarial accrued OPEB liability was \$93.5 million as of December 31, 2014<sup>67</sup>.

Unlike the pension liability, which the City is required by Pennsylvania law to fund, there is no legal requirement for the City to prefund its OPEB liability. Consequently, the City pays the annual retiree health care costs that its retirees actually incur which results in the liability growing over time with very minimal assets set aside to counter its growth. In 2018, the City designated \$1.0 million from its unassigned fund balance to start an OPEB Trust Fund. Meanwhile the City's expenditures on these benefits rose from \$3.3 million in 2013 to \$5.2 million in 2017, a compound annual growth rate of 10.9 percent.

Reading must contain these benefit costs to achieve true financial recovery, regardless of its Act 47 status. The remainder of this chapter describes the Exit Plan initiatives, many of which are focused on managing the growth in benefit costs.

## **Act 47 and Collective Bargaining**

Non-represented and unionized City employees have contributed to City government's improved fiscal condition since it entered Act 47 in November 2009. There have been two rounds of negotiated settlements or interest arbitration awards since then.

<sup>64</sup> City of Reading Police Pension Plan Actuarial Valuation Report, 2017, page 24. City of Reading Fire Pension Plan Actuarial Valuation Report, 2017, page 20.

<sup>65</sup> OPEB Valuation for fiscal year ending December 31, 2014, page 13. The City also provides life insurance to retired firefighters. According to the most recent OPEB valuation provided, life insurance accounts for only \$359,000 of the \$93.5 million OPEB liability. <sup>66</sup> This refers to the contributions that employees make even if they do not use the medical care, sometimes called "premium contributions." This does not refer to the payments that retirees make when they receive care (e.g. deductibles, co-payments). Members of the AFSCME 3799 bargaining unit and non-represented employees who retired before 2007 also do not make premium contributions.

<sup>67</sup> Like pension valuations, OPEB valuations are prepared every other year. The valuation covering December 31, 2016 is unavailable. The next valuation will cover the period ending December 31, 2018.

Under the 2010 Recovery Plan, current employees took wage freezes (some non-represented employees took wage cuts); increased their contributions to the cost of health insurance; and saw their holidays and vacation accrual reduced. New hires received lower cost pension benefits and lower starting salaries and are not eligible for post-retirement health care benefits. By implementing the original Recovery Plan and taking other actions, City government broke its string of years with operating deficits and started to gain financial stability. The 2014 Amended Recovery Plan had similar provisions for active employee wages and health insurance to help the City manage the rapidly growing cost of pension benefits and health insurance for retired employees. These changes allowed the City to stabilize its finances and maintain services without resorting to more severe measures, such as layoffs.

Employees will likely note that the Exit Plan initiatives are more favorable than previous recovery plans. For example, instead of wage freezes, the Exit Plan's maximum allocations for employee compensation assume across the board wage increases of 2.0 percent, 2.5 percent and 3.0 percent over the respective three years. Additionally, with respect to the growth cap on the City's contribution toward the cost of active employee health insurance, the Exit Plan increases that cap from 5 percent to 10 percent just for 2020 which means that the City will shoulder more of the cost increase in that year.

The Coordinator has decided to take this approach in the Exit Plan for three reasons. First, while the City is not in the clear yet, its estimated pension costs appear to be stabilizing after years of exponential growth. Second, the approach recognizes the sacrifices made by employees in previous recovery plans which helped to improve the City's financial condition. Third, after many years, the City is now able to save money by not having to pay for the health care of retired City police officers who were working for Berks County.

### **Bargaining Unit Expenditure Limits**

Section 252 of Act 47 provides that a "collective bargaining agreement or arbitration settlement executed after the adoption of a plan shall not in any manner violate, expand or diminish its provisions." This Exit Plan therefore sets limits on projected expenditures for individual collective bargaining units that may not be exceeded by the distressed municipality. The initiatives in this section set such limits in the form of maximum annual allocations for employee compensation for each of the employee groups.

In determining the maximum annual allocations, mindful of the projected budget gaps that the City faces and the requirements and limitations described throughout this Exit Plan, the Coordinator began by first reviewing the initiatives from the original Recovery Plan and Amended Recovery Plan that impacted employees and were implemented either through negotiation or interest arbitration. We did so because these initiatives were shown to contribute greatly to the City's improved financial status as compared to when it entered Act 47 and represent the status quo for these bargaining units. The Coordinator used continued application of these initiatives through 2022 as a starting point for the purposes of determining the bargaining unit limit calculations being mindful of the new hires in the fire and police departments who have different pension and retiree health care benefits.

Mindful of the sacrifices that employees have made towards the City's financial condition and recognizing improvements in pension cost growth, the Coordinator declined to follow the previous wage patterns (which included wage freezes) when determining compensation expenditure caps. Rather, the Coordinator assumed wage increases at 2.0 percent in 2020, 2.5 percent in 2021 and 3.0 percent in 2022 when calculating the compensation expenditure cap. Furthermore, the Coordinator also assumed that the City would absorb an additional 5 percent of the healthcare cost growth in 2020 (for a total of 10 percent). This is reflected in the City's maximum monthly contribution for healthcare growing by 10 percent in 2020, as noted in WF02.



As noted earlier, AFSCME 3799 is a first-level supervisory unit that does not have the same bargaining rights as the other bargaining units. The Coordinator nonetheless provides a bargaining unit expenditure limit for AFSCME 3799.

The Exit Plan allocates the following maximum annual amounts for employee compensation for active members of AFSCME 3799. This allocation covers all AFSCME 3799 employees, regardless of the fund where their compensation is budgeted.

2020	2021	2022
1,689,000	1,739,000	1,797,000

The allocation for AFSCME 3799 members assumes the following across-the-board wage increases -- 2.0 percent in 2020; 2.5 percent in 2021; and 3.0 percent in 2022. Because the allocation assumes a larger wage increase than the baseline projection (2.0 percent each year), the financial impact of this initiative is the City spending \$18,000 more than the baseline scenario.

The allocation includes the maximum amounts that the City shall pay active AFSCME 3799 members for any of the following:

- Salaries including step or tenure-based increases and additional pay for overtime
- Longevity pay
- Uniform or special assignment allowances and all other new or existing forms of cash compensation
- Active employee health insurance coverage including medical, dental, vision and prescription drug coverage as well as life insurance coverage
- Social Security and Medicare Taxes

The allocation includes an amount for active employee health insurance coverage, including medical, dental, vision and prescription drug coverage, net of the projected employee contribution. The allocation is based on the application of initiative WF02 beginning in 2020. If the City and AFSCME 3799 make any changes to health insurance outside of WF02 through negotiation or an arbitration award, the City and union shall project the cost or savings of those changes and apply them against this allocation.

The allocation also assumes the City will not enact any new forms of compensation. The allocation is based on the budgeted complement and mix of positions as described in the 2019 budget. The allocation does not include the City's required contributions to the employee pension plan and assumes no other changes to AFSCME 3799's current memorandum of understanding except those described herein.

#### **WF10. Non-represented employees allocation**

<b>Target outcome:</b>	Fiscal Stability & Service Delivery
<b>Three Year Financial Impact<sup>75</sup>:</b>	(\$253,000)
<b>Responsible party:</b>	Managing Director, Director of Administrative Services, Human Resources Manager

<sup>75</sup> The three year financial impact is shown for the change in salary pattern and salary adjustments only. The costs associated with new positions are shown as separate initiatives described elsewhere in this Exit Plan. Please see initiative WF02 for the financial impact of the active employee health insurance initiative.

While Act 47 requires the Coordinator to set a maximum annual allocation for bargaining unit employees, there is not a similar requirement for non-represented employees. To provide consistency in cost control across employee groups and flexibility for the City to reallocate salaries for non-represented employees, the Plan sets the following maximum allocation for all full-time non-represented employees, regardless of the fund from which the employee is being paid.

2020	2021	2022
6,337,000	6,523,000	6,741,000

The allocation for non-represented employees assumes the following across-the-board wage increases -- 2.0 percent in 2020; 2.5 percent in 2021; and 3.0 percent in 2022. Because the allocation assumes a larger wage increase than the baseline projection (2.0 percent each year), the financial impact of this wage pattern is the City spending \$62,000 more than the baseline scenario<sup>76</sup>.

The City may reallocate non-represented employee salaries by either reducing current salaries or eliminating budgeted positions so long as the total amount allocated to employee compensation, including the cost of employee health insurance, remains under the cap. This includes eliminating vacant, budgeted positions and reallocating the salary to existing employees.

The allocation accounts for four adjustments<sup>77</sup> to employee base salaries recommended by the Administration and supported by the Coordinator:

- Reinstating the base salary for the Controller (i.e. Deputy Finance Director) position to the level in place before the reduction in 2016. The base salary for this position was reduced as part of the Administrative changeover that year.
- Increasing the base salary for the Solicitor position to bring it into line with those for the City's other major department heads
- Increasing the base salary for the Chief Building Code Official position so the City can fill this high priority vacancy. Lack of capacity at the top of the Building and Trades Division stalls plan reviews necessary for health and safety, economic development and tax base growth (i.e. revenue generation) (see initiative ED01 in the Economic Development Chapter).
- Increasing the base salary for the Community Development Director to avoid salary compression with the Chief Building Official position that the Director supervises (see initiative ED01 in the Economic Development Chapter)

The allocation also accounts for the following new positions described elsewhere in this Exit Plan:

- Reinstating the confidential secretary position in support of the Director of Administrative Services (see initiative FM06 in the Financial Management chapter)
- Reinstating the confidential secretary position in support of the Community Development Director (see initiative ED02 in the Economic Development chapter)
- Establishing a Capital Project Manager position to execute projects funded by the designated earned income tax (see initiative CP01 in the Capital and Debt chapter)

<sup>76</sup> The larger impact amount shown at the beginning of this initiative includes the impact of adjustments other than the wage pattern.

<sup>77</sup> The June 6<sup>th</sup> version of the Exit Plan recommended that the City increase the base salary for the EMS Coordinator position to match the base salary for the Deputy Fire Chief positions. The City already made that adjustment during the 2019 budget process and it is incorporated in the allocation above.

The City shall not enact any new forms of compensation or increase forms of compensation for non-represented employees. Non-represented employees are subject to the terms of WF02 regarding fringe benefits. ***Please note the potential allocation adjustment if the City adds positions as described in initiative WF11.***

**WF11. Additional allocation for optional positions**

<b>Target outcome:</b>	Improved service
<b>Three Year Financial Impact:</b>	See below
<b>Responsible party:</b>	Mayor, Council, Managing Director, Director of Administrative Services, various department directors

Act 47 requires that, as part of the City's annual budget process, the Coordinator "shall review the proposed budget to verify that the proposed budget conforms with the [Recovery] plan."<sup>78</sup> During the budget review, the Coordinator carefully analyzes the proposed personnel expenditures for compliance with the maximum compensation allocations. That process will continue during the Exit Plan using the initiatives described above.

The Exit Plan does not explicitly limit the number of budgeted positions. However, because the maximum compensation allocations are based on a recommended compensation package applied to a specific number of employees, the practical effect is that it is difficult for the City to increase the total number of positions without cutting compensation for those that already exist.

As a result, the City's discussions about potential staff additions often focus on the question whether the City is allowed to hire such individuals. Recovery Plan compliance has been and continues to be a statutory requirement for as long as Reading remains in oversight, but that period should end no later than the end of 2022. Once the City exits oversight, discussions about staff additions should focus on whether the City *needs* the positions; whether existing recurring revenues are *sufficient to pay* for the positions; and, if not, whether the City is *willing to increase taxes* or find other recurring revenues to pay for them.

To help prepare the City for these types of discussions after exiting oversight, the Coordinator asked the Administration to identify new positions that would help operations. The department directors identified the positions they needed and forwarded their requests to the Managing Director for prioritization. We calculated the costs associated with each of the requests (cash compensation plus fringe benefits) and provided them to the Administration, so they could determine which positions they would be most likely to propose in the budget.

We made it clear that the City would have to identify recurring revenue to pay for these positions, over and above the revenue in other Exit Plan initiatives. To make the prioritization decision more real, we directed the Administration to think of the potential positions in terms of the question, "Are you willing to propose a real estate tax increase in the budget to pay for these positions?" We also made it clear that these positions are the Administration's priorities and not positions the Coordinator is requesting or endorsing. The positions that we consider priorities are described in separate initiatives.

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<sup>78</sup> Section 247.1.



The Administration identified the following positions for potential inclusion in the budget. Based on input that we received during the public comment period, we inserted the option of adding four new police officer positions, subject to the same conditions for all other positions.

**Allocations for Optional Additional Positions<sup>79</sup>**

Position	Department	Employee group	2020	2021	2022
Telecommunicator	Police - Special Services	AFSCME 2763	\$71,000	\$74,000	\$76,000
Position would provide increased coverage during the 7:00 pm - 3:00 am "jumper" shift that is the busiest for E911 police dispatch					
Firefighter/Medic (4)	Fire - EMS	IAFF	\$296,000	\$328,000	\$360,000
Four positions would staff an additional ambulance unit as requested by Fire Chief to meet rising calls for service demand. The cost of each position is \$90,000 to \$99,000 over the three-year period. The Chief has other recommendations to mitigate growth in these calls for service.					
Police Officer (4)	Police - Patrol	FOP	\$320,000	\$356,000	\$388,000
The Coordinator received input during the public comment period on the draft Exit Plan requesting that the City be allowed to consider additional police officer positions.					
Crime Analyst	Police (Unit TBD)	Non-represented	\$81,000	\$84,000	\$87,000
Civilian position to assist with CompStat (crime statistics) gatherings and planning. This position was requested by the Police Chief					
Police Evidence Analyst	Police (Unit TBD)	Non-represented	\$81,000	\$84,000	\$87,000
Civilian position to assist and cover the body camera reviews and redacting for court. This position was requested by the Police Chief					
Sustainability Coordinator	Public Works - Refuse	Non-represented	\$82,000	\$85,000	\$88,000
Position to support the Sustainability Manager in the design and implementation of programs related to waste reduction, energy efficiency and recycling participation. This position was requested by the Public Works Director and would likely be supported by the Refuse Fund.					
Youth Academy Director	Police (Unit TBD)	Non-represented	\$60,000	\$62,000	\$64,000
Civilian position to function as a full-time Youth Academy Director, replacing the current part-time director. This position was requested by the Police Chief					

If the City added all 13 positions, they would cost an estimated \$991,000 to \$1,150,000 a year during the Exit Plan period, which would require a 4.1 percent increase in the real estate tax, not including the cost of the employees' pension benefits<sup>80</sup>.

The Administration will decide which, if any, of these positions to include in the budget and Council has the authority to decide which ones they approve in the annual budget. Our goal is to stimulate those prioritization discussions and resource allocation decisions within the context of the City's total financial picture, while still providing the cost controls required in Act 47.

<sup>79</sup> Consistent with the methodology described in the previous maximum compensation allocation initiatives, the allocations shown here cover all forms of cash compensation plus fringe benefits. The allocations assume the family level of health coverage for each position. The cost allocations do not include the City's required contribution to the employee pension plans associated with these positions.

<sup>80</sup> If the Sustainability Coordinator position is supported by the Refuse Fund, that lowers the additional cost to the General Fund and the associated real estate tax.

If the City adds the positions listed above in the final approved version of the budget<sup>81</sup>, and if the City funds the associated compensation costs for those positions with recurring revenue, then the allocations for the affected employee groups shall be increased by the amounts shown above<sup>82</sup>. Please note that any tax increase to fund these positions shall be in addition to the increases described in initiative GP06 of the General Provisions chapter.

If the City does not add the positions in the final approved version of the budget or if it does not identify recurring revenue to fund them, then the maximum compensation allocations shall default to those listed in the previous initiatives. The Coordinator reserves the right to determine whether proposed revenue sources are recurring and adequate to cover the full cost of the positions over the term of the Exit Plan. Because the budget still has to conform to the Exit Plan, the City cannot add more positions than those listed above for any employee group.

If any positions are transferred out of or into an employee group, the portion of the allocation associated with those positions will transfer with them and will impact the cap accordingly<sup>83</sup>. For example, if a non-represented position with \$60,000 in total compensation becomes an AFSCME position, the non-represented cap will decrease by \$60,000 while the AFSCME cap will increase by \$46,000.

#### **Retiree Benefits**

To consider the true financial impact of pension and retiree health care benefits, it is necessary to consider both the immediate fiscal impact in terms of dollars required to be spent now as well as the future obligations of the City and its employees. For example, although the City would not incur an immediate pay-as-you-go cost from granting new hires retiree health care benefits (since they are not yet eligible to retire), this action creates a future liability that the City will need to fund (and should actually prefund). New hires soon become incumbent employees and these liabilities continue to grow. It is the Coordinator's specific position that any enhancements to pension or retiree health care benefits (if any) for existing employees or new hires is inconsistent with Act 47's policy objective of relieving the financial distress of the City and would further jeopardize the financial stability of the City.

#### **RB01. No COLAs for pension plans during the term of the Amended Recovery Plan**

<b>Target outcome:</b>	Cost avoidance
<b>Three-Year Financial Impact:</b>	See below
<b>Responsible party:</b>	Managing Director; Director of Administrative Services; Human Resources Manager

No pension cost-of-living adjustments (COLAs) shall be provided during the term of the Exit Plan. Currently, no employee pension plan assumes a cost-of-living adjustment (COLA) in its valuation, so this initiative does not have an additional impact on the City's pension costs beyond the level already reflected in the baseline projection. Any pension cost-of-living adjustments (COLAs) granted would cause further deterioration of the financial status of these pension funds and a corresponding increased cost to the City in the form of higher MMO costs.

<sup>81</sup> This also includes the possibility that a newly elected mayor could re-open the 2020 budget in early 2020.

<sup>82</sup> If the City determines that the new positions should be represented by employees groups other than those listed, then the allocation increase will apply to the employee group representing the new positions.

<sup>83</sup> This provision applies to all positions covered by the Exit Plan's maximum annual allocations for employee compensation.